United Nations A/C.2/71/L.58

General Assembly

Distr.: Limited
6 December 2016

Original: English

Seventy-first session

Second Committee

Agenda item 17 (b)

Macroeconomic policy questions: international financial system and development

Draft resolution submitted by the Vice-Chair of the Committee, Arthur Andambi (Kenya), on the basis of informal consultations on draft resolution A/C.2/71/L.30

International financial system and development

The General Assembly,

Recalling its resolutions 55/186 of 20 December 2000 and 56/181 of 21 December 2001, entitled "Towards a strengthened and stable international financial architecture responsive to the priorities of growth and development, especially in developing countries, and to the promotion of economic and social equity", as well as its resolutions 57/241 of 20 December 2002, 58/202 of 23 December 2003, 59/222 of 22 December 2004, 60/186 of 22 December 2005, 61/187 of 20 December 2006, 62/185 of 19 December 2007, 63/205 of 19 December 2008, 64/190 of 21 December 2009, 65/143 of 20 December 2010, 66/187 of 22 December 2011, 67/197 of 21 December 2012, 68/201 of 20 December 2013, 69/206 of 19 December 2014 and 70/188 of 22 December 2015,

Reaffirming its resolution 70/1 of 25 September 2015, entitled "Transforming our world: the 2030 Agenda for Sustainable Development", in which it adopted a comprehensive, far-reaching and people-centred set of universal and transformative Sustainable Development Goals and targets, its commitment to working tirelessly for the full implementation of the Agenda by 2030, its recognition that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development, its commitment to achieving sustainable development in its three dimensions — economic, social and environmental — in a balanced and integrated manner, and to building upon the achievements of the Millennium Development Goals and seeking to address their unfinished business,

Reaffirming also its resolution 69/313 of 27 July 2015 on the Addis Ababa Action Agenda of the Third International Conference on Financing for

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Development, which is an integral part of the 2030 Agenda for Sustainable Development, supports and complements it, helps to contextualize its means of implementation targets with concrete policies and actions, and reaffirms the strong political commitment to address the challenge of financing and to create an enabling environment at all levels for sustainable development in the spirit of global partnership and solidarity,

Recalling the United Nations Millennium Declaration,[1] its resolution 56/210 B of 9 July 2002, in which it endorsed the Monterrey Consensus of the International Conference on Financing for Development,[2] the Rio Declaration on Environment and Development,[3] Agenda 21,[4] the Programme for the Further Implementation of Agenda 21[5] and the Plan of Implementation of the World Summit on Sustainable Development (Johannesburg Plan of Implementation),[6]

Recalling also the Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha from 29 November to 2 December 2008,[7]

Recalling further the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome document,[8]

Taking note of the work of the United Nations in the area of external debt sustainability and development,

Recalling the United Nations Conference on Sustainable Development, held in Rio de Janeiro, Brazil, from 20 to 22 June 2012, and its outcome document, entitled "The future we want",[9]

Recognizing the work undertaken by the Ad Hoc Open-ended Working Group of the General Assembly to follow up on the issues contained in the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development, and taking note of its progress report,[10]

Recalling the high-level thematic debate on the state of the world economy and finance and its impact on development, convened by the President of the General Assembly on 17 and 18 May 2012,

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[1] Resolution 55/2.

[2] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[3] *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992*, vol. I, *Resolutions Adopted by the Conference* (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution 1, annex I.

[4] Ibid., annex II.

[5] Resolution S-19/2, annex.

[6] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

[7] Resolution 63/239, annex.

[8] Resolution 63/303, annex.

[9] Resolution 66/288, annex.

[10] A/64/884.

Recalling also the meeting of the Second Committee, held pursuant to resolution 67/197, on 13 November 2013, to discuss actions in response to the world financial and economic crisis and its impact on development and prospects for restoring confidence and economic growth,

Appreciating the fact that the Summit of the Group of 20, held in Hangzhou, China, on 4 and 5 September 2016, the first Summit of the Group of 20 to take place in a developing country after the adoption of the 2030 Agenda for Sustainable Development, with the broad participation of developing countries, as well as the Chair of the Group of 77, has endorsed the Group of 20 Action Plan on the 2030 Agenda for Sustainable Development as an important contribution to the global implementation of the 2030 Agenda, and looking forward to its implementation, while urging the Group of 20 to continue to engage in an inclusive and transparent manner with other States Members of the United Nations in its work in order to ensure that initiatives of the Group of 20 complement or strengthen the United Nations system,

Noting also the twentieth St. Petersburg International Economic Forum, held in St. Petersburg, Russian Federation, from 16 to 18 June 2016,

Concerned about addressing the effects of the world financial and economic crisis so as to avoid its recurrence and continue to promote the global economic stability and underlying institutional reforms required to ensure sustained, inclusive and equitable global economic growth for the benefit of all countries,

Expressing concern about the adverse impact of the continuing fragility and slowdown of global growth and trade, including on development, cognizant that the global economy remains in a challenging phase, with many downside risks, including capital outflows from some emerging and developing economies, continued low commodity prices, high unemployment, particularly among young people, and rising private and public indebtedness in many developing countries, and stressing the need for continuing efforts to address systemic fragilities and imbalances and to reform and strengthen the international financial system while implementing the reforms agreed upon to date to attend to these challenges and to make progress towards sustaining global demand,

Recognizing that, while some developing countries have been major contributors to recent global economic growth, the economic crisis has reduced their capacity to withstand further shocks, recalling the commitments made to support development and sustained, inclusive and sustainable economic growth, and reaffirming the need to work cooperatively to meet development commitments to ensure the full and effective implementation of the 2030 Agenda for Sustainable Development,

Recognizing also that the effects of the world financial and economic crisis have the potential to undermine the progress made towards achieving the internationally agreed development goals, including the Sustainable Development Goals, and threaten debt sustainability in many countries, especially developing countries,

Recalling the commitment to work in solidarity on a coordinated and comprehensive global response to the effects of the consequences of the world financial and economic crisis on development and to take actions aimed at,

inter alia, restoring confidence, sustaining economic growth and creating full and productive employment and decent work for all women and men, including young people and people with disabilities, and equal pay for equal work or for work of equal value, towards the achievement of the Sustainable Development Goals and the 2030 Agenda for Sustainable Development,

Reaffirming the purposes of the United Nations, as set forth in its Charter, including to achieve international cooperation in solving international problems of an economic, social, cultural or humanitarian character and to be a centre for harmonizing the actions of nations in the attainment of common ends, and reiterating the need to strengthen the leadership role of the United Nations in promoting development,

Emphasizing that the international financial system should bolster sustainable, inclusive and sustained economic growth, sustainable development and job creation, promote financial inclusion and support efforts to eradicate poverty in all its forms and dimensions, including extreme poverty, and hunger, in particular in developing countries, while allowing for the coherent mobilization of all sources of financing for development,

Recognizing the importance of scaling up international tax cooperation, and in this regard welcoming the work of the Committee of Experts on International Cooperation in Tax Matters and the support to tax authorities of developing countries through the Addis Tax Initiative, which contribute to the mobilization of domestic resources for the Sustainable Development Goals and the curbing of illicit financial flows and tax evasion,

Recognizing the need to reduce mechanistic reliance on credit-rating agency assessments, including in regulations, and to promote increased competition as well as measures to avoid conflict of interest in the provision of credit ratings in order to improve the quality of ratings, acknowledging the efforts of the Financial Stability Board and others in this area, expressing support for establishing greater transparency requirements for evaluation standards of credit-rating agencies, and affirming the commitment to continue ongoing work on these issues,

Recognizing also the contribution of the first and second Panel of Eminent Persons of the United Nations Conference on Trade and Development in the context of the United Nations sustainable development pillar and United Nations reform, as well as the contribution of the United Nations system to sustainable finance and investments in the Sustainable Development Goals, including through the informal expert advisory group of the President of the General Assembly at its seventieth session, and recognizing further the contribution of the independent team of advisers to the Economic and Social Council dialogue on the longer-term positioning of the United Nations development system in the context of the implementation of the 2030 Agenda for Sustainable Development,

Acknowledging that the quota and governance reforms agreed at the International Monetary Fund in 2010 became effective in January 2016, and acknowledging also that the Executive Board of the Fund decided in November 2015 to include the renminbi as one of the five currencies that currently make up the basket of special drawing rights,

1. *Takes note* of the report of the Secretary-General;[11]

2. *Recognizes* the need to continue and intensify efforts to enhance the coherence and consistency of the international monetary, financial and trading systems, reiterates the importance of ensuring their openness, fairness and inclusiveness in order to complement national efforts to ensure sustainable development, including strong, sustained, balanced, inclusive and equitable economic growth and the achievement of the internationally agreed development goals, including the 2030 Agenda for Sustainable Development,[12] and encourages the international financial institutions to align their programmes and policies with the 2030 Agenda in accordance with their mandates;

3. *Also recognizes* the important efforts undertaken nationally, regionally and internationally to respond to the challenges posed by the financial and economic crisis, and further recognizes that more needs to be done in order to promote the economic recovery, to manage the consequences of volatility in global financial and commodity markets, to tackle high unemployment and indebtedness in several countries, as well as widespread fiscal strains, to reinforce the banking sector, including by increasing its transparency and accountability, to address systemic fragilities and imbalances, to reform and strengthen the international financial system and to continue and to enhance the coordination of financial and economic policies at the international level;

4. *Further recognizes* the importance, in particular, of new and emerging challenges and vulnerabilities in regard to developing country external debt sustainability arising from structural changes to overall debt composition, the rapid growth of private sector debt in many emerging and developing countries and the growing use of new debt financing instruments and approaches;

5. *Reiterates* that debtors and creditors must work together to prevent and resolve unsustainable debt situations and that maintaining sustainable debt levels is the responsibility of the borrowing countries, acknowledging, however, that lenders also have a responsibility to lend in a way that does not undermine a country's debt sustainability, and in this regard takes note of the United Nations Conference on Trade and Development principles on responsible sovereign lending and borrowing and recognizes the applicable requirements of the International Monetary Fund debt limits policy and/or the World Bank non-concessional borrowing policy, as well as the safeguards of the Development Assistance Committee of the Organization for Economic Cooperation and Development in its statistical system to enhance the debt sustainability of recipient countries, and will work towards a global consensus on guidelines for debtor and creditor responsibilities in borrowing by and lending to sovereigns, building on existing initiatives;

6. *Invites*, in this regard, the President of the General Assembly and the Secretary-General to give appropriate consideration to the central role of maintaining and facilitating developing country financial and macroeconomic stability, including debt sustainability, and of supporting an appropriately enabling domestic and international economic, financial and regulatory environment for the means of implementation of the 2030 Agenda for Sustainable Development, and in

[11] A/71/312

[12] Resolution 70/1

this regard invites all major institutional stakeholders, including the International Monetary Fund, the World Bank and the United Nations Conference on Trade and Development, to support these efforts, in accordance with their respective mandates;

7. *Encourages*, in this regard, the Economic and Social Council, to consider, at its annual forum on financing for development follow-up, a discussion and analysis of systemic issues and challenges, taking into account the roles of the international financial institutions, including the International Monetary Fund and the United Nations Conference on Trade and Development, in accordance with their respective mandates, pursuant to the relevant resolutions on this matter, including its resolution 69/313 on the Addis Ababa Action Agenda of the Third International Conference on Financing for Development and the mandate of the annual forum on financing for development follow-up set out therein;

8. *Notes* that the United Nations, on the basis of its universal membership and legitimacy, provides a unique and key forum for discussing international economic issues and their impact on development, and reaffirms that the United Nations is well positioned to participate in various reform processes aimed at improving and strengthening the effective functioning of the international financial system and architecture, while recognizing that the United Nations and the international financial institutions have complementary mandates that make the coordination of their actions crucial;

9. *Resolves* to strengthen the coherence and consistency of multilateral financial, investment, trade and development policy and environment institutions and platforms and to increase cooperation between major international institutions, while respecting mandates and governance structures, and commits itself to taking better advantage of relevant United Nations forums for promoting universal and holistic coherence and international commitments to sustainable development, building on the vision of the Monterrey Consensus;

10. *Recalls* that countries must have the flexibility necessary to implement countercyclical measures and pursue tailored and targeted responses to the various types of shocks, including economic and financial crises, and calls for conditionalities to be streamlined to ensure that they are timely, tailored and targeted and that they support developing countries in the face of financial, economic and development challenges;

11. *Notes*, in this regard, the increase in resources and the improvement of the lending framework of the International Monetary Fund through, inter alia, streamlined conditions and flexible instruments, such as the precautionary and liquidity line, the flexible credit line and the rapid financing instrument, and the refinement of the lending framework for low-income countries, while also noting that new and ongoing programmes should not contain unwarranted procyclical conditionalities;

12. *Encourages*, in this regard, the multilateral development banks to continue to move forward on flexible, concessional, fast-disbursing and front-loaded assistance that will substantially and quickly assist developing countries facing financing gaps in their efforts to achieve the Sustainable Development Goals, taking into consideration the individual absorptive capacities and debt sustainability of those countries;

13. *Also encourages* multilateral development banks, within their respective mandates to continue to expand technical assistance, disseminate and share their knowledge and best practices and enhance the multiplier effect of their financing by leveraging more resources from more sources, including by mobilizing private investment, to provide innovative and integral solutions to multidimensional development problems, in particular in developing and emerging economies;

14. *Invites* the multilateral development banks and other international development banks to continue providing both concessional and non-concessional stable, long-term development finance by leveraging contributions and capital and by mobilizing resources from capital markets, and stresses that development banks should make optimal use of their resources and balance sheets, consistent with maintaining their financial integrity, and should update and develop their policies in support of the 2030 Agenda for Sustainable Development, including the Sustainable Development Goals, as appropriate;

15. *Welcomes*, in this regard, the ongoing work of the New Development Bank and the Asian Infrastructure Investment Bank in the global development finance architecture, and further encourages enhanced regional and subregional cooperation, including through regional and subregional development banks, commercial and reserve currency arrangements and other regional and subregional initiatives;

16. *Emphasizes* the relevance of inclusion in the international financial system at all levels and the importance of considering financial inclusion as a policy objective in financial regulation, in accordance with national priorities and legislation;

17. *Recommits* to the broadening and strengthening of the voice and participation of developing countries in international economic decision-making and norm-setting and in global economic governance, recognizes the importance that the International Monetary Fund continues to be adequately resourced, and supports and reiterates its commitment to further governance reform at both the Fund and the World Bank to adapt to changes in the global economy;

18. *Notes* that the members of the International Monetary Fund are committed to concluding the fifteenth general review of quotas and to agreeing on a new quota formula as a basis for a realignment of quota shares, which will result in increased shares for dynamic economies in line with their relative positions in the world economy and hence likely in the share of emerging market and developing countries as a whole, while protecting the voice and representation of the poorest members;

19. *Acknowledges* the importance of the international financial institutions supporting, in line with their mandates, the policy space of each country, while remaining consistent with relevant international rules and commitments, in particular developing countries, and recommits to the broadening and strengthening of the voice and participation of developing countries, including African countries, the least developed countries, landlocked developing countries, small island developing States, middle-income countries and countries in conflict and post-conflict situations, in international economic decision-making, norm-setting and global economic governance;

20. *Recognizes* that there are continued risks to financial stability, which suggests a need to continue to implement agreed reforms of the international financial and monetary system;

21. *Reaffirms* that cohesive, nationally owned sustainable development strategies, supported by integrated national financing frameworks, will be at the heart of efforts, reiterates that each country has primary responsibility for its own economic and social development and that the role of national policies and development strategies cannot be overemphasized, expresses respect for each country's policy space and leadership to implement policies for poverty eradication and sustainable development, while remaining consistent with relevant international rules and commitments, at the same time recognizes that national development efforts need to be supported by an enabling international economic environment, including coherent and mutually supporting world trade, monetary and financial systems, and strengthened and enhanced global economic governance and that processes to develop and facilitate the availability of appropriate knowledge and technologies globally, as well as capacity-building, are also critical, and commits to pursuing policy coherence and an enabling environment for sustainable development at all levels and by all actors, and to reinvigorating the Global Partnership for Sustainable Development;

22. *Recommits* to a redoubling of its efforts to substantially reduce illicit financial flows by 2030, with a view to eventually eliminating them, including by combating tax evasion and corruption through strengthened national regulation and increased international cooperation, to reducing opportunities for tax avoidance and considering inserting anti-abuse clauses in all tax treaties, to enhancing disclosure practices and transparency in both source and destination countries, including by seeking to ensure transparency in all financial transactions between Governments and companies, with respect to relevant tax authorities, and to making sure that all companies, including multinationals, pay taxes to the Governments of the countries where economic activity occurs and value is created, in accordance with national and international laws and policies;

23. *Encourages* the United Nations Conference on Trade and Development to continue its existing programme of meetings and consultations with Member States on investment agreements and investment policies that promote a better understanding of issues related to international investment agreements and their development dimensions, in accordance with its mandates;

24. *Recognizes* the role of special drawing rights as an international reserve asset, acknowledges that special drawing rights allocations helped to supplement international reserves in response to the world financial and economic crisis, thus contributing to the stability of the international financial system and global economic resilience, and also recognizes the need to continue regular reviews of the role of special drawing rights, including with reference to their potential role in the international reserve system;

25. *Takes note* of the work by the Financial Stability Board on financial market reform and commits to sustaining or strengthening frameworks for macroprudential regulation and countercyclical buffers, reaffirms the commitment to hasten completion of the reform agenda on financial market regulation, including assessing and if necessary reducing the systemic risks associated with shadow

banking, markets for derivatives, securities lending and repurchase agreements and also reaffirms the commitment to addressing the risk created by "too-big-to-fail" financial institutions and to addressing cross-border elements in effective resolution of troubled systemically important financial institutions;

26. *Reiterates* that effective, inclusive multilateral surveillance should be at the centre of crisis prevention efforts, stresses the need to continue to strengthen surveillance of the financial policies of countries, and in this regard notes the new surveillance approach of the International Monetary Fund to better integrate bilateral and multilateral surveillance, along with cross-border and cross-sectoral linkages with macroeconomic and macroprudential policies, while paying closer attention to the spillover effects from national economic and financial policies onto the global economy;

27. *Also reiterates* the need to resolve to reduce mechanistic reliance on credit-rating agency assessments, including in regulations and to promote increased competition as well as measures to avoid conflict of interest in the provision of credit ratings;

28. *Invites* the international financial and banking institutions to continue to enhance the transparency of risk-rating mechanisms, noting that sovereign risk assessments should maximize the use of objective and transparent parameters, which can be facilitated by high-quality data and analysis, and encourages relevant institutions, including the United Nations Conference on Trade and Development, to continue their work on the issue, including the potential impact of the role played by private credit rating agencies on the development prospects of developing countries, in accordance with their mandates;

29. *Welcomes* efforts by new development banks to develop safeguard systems in open consultation with stakeholders on the basis of established international standards, and encourages all development banks to establish or maintain social and environmental safeguard systems, including on human rights, gender equality and women's empowerment, that are transparent, effective, efficient and time-sensitive;

30. *Recognizes* the need for the international financial institutions, as appropriate, to promote gender mainstreaming in their policies and programmes, including macroeconomic, job creation and structural reform policies and programmes, in accordance with relevant national priorities and strategies;

31. *Urges* multilateral donors, and invites international financial institutions, and regional development banks, within their respective mandates, to review and implement policies that support national efforts to ensure that a higher proportion of resources, reaches women and girls, in particular in rural and remote areas;

32. *Recommits* itself to enabling women's full and equal participation in the economy and their equal access to decision-making processes and leadership;

33. *Reiterates* that States are strongly urged to refrain from promulgating and applying any unilateral economic, financial or trade measures not in accordance with international law and the Charter of the United Nations that impede the full

achievement of economic and social development, particularly in developing countries;[13]

34. *Requests* the Secretary-General to submit to the General Assembly at its seventy-second session a report on the implementation of the present resolution and to consider including in the report an analysis of options for an enhanced approach to financial stress in developing countries, to be prepared with input from the major institutional stakeholders, including the International Monetary Fund, the World Bank and the United Nations Conference on Trade and Development, in accordance with their respective mandates, unless otherwise agreed;

35. *Decides* to include in the provisional agenda of its seventy-second session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "International financial system and development", unless otherwise agreed.

[13] Resolution 3201 (S-VI).